

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF THE ENERGY SUPPLY  
AGREEMENT (ESA) BETWEEN  
SOUTH COTABATO II ELECTRIC  
COOPERATIVE, INC.  
(SOCOTECO II) AND THERMA  
SOUTH, INC. (TSI)**

**ERC CASE NO. 2014-061 RC**

**SOUTH COTABATO II ELECTRIC  
COOPERATIVE, INC.  
(SOCOTECO II) AND THERMA  
SOUTH, INC. (TSI),**

**Applicants.**

**X-----X**

**D O C K E T E E Y**  
Date: JUL 18 2014  
By: *[Signature]*

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on May 20, 2014, South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) filed an application for the approval of its Energy Supply Agreement (ESA) with Therma South, Inc. (TSI).

In the said application, SOCOTECO II alleged, among others, that:

1. It is an electric cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at J. Catolico, Sr. Avenue, Lagao, General Santos City;
2. It is the exclusive franchise holder issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the City of General Santos

and the Municipalities of Alabel, Glan, Kiamba, Maasim, Maitum, Malapatan and Malungon, in the Province of Saranggani, and the Municipalities of Polomolok and Tupi, in the Province of South Cotabato;

### Nature of the Application

3. Pursuant to Rule 20 (B) of the Commission's Rules on Practice and Procedure (RPP) and other pertinent Rules and Regulation, the instant application is submitted for the approval of its ESA with TSI. A copy of its ESA is attached in the instant application and made an integral part thereof;
4. It complied with the pre-filing requirements of the Commission;

### Statement of Facts

5. It currently sources the bulk of its energy requirements from the Power Sector Assets and Liabilities Management Corporation (PSALM) and the remainder from other suppliers;

Supplier	Contract Capacity (MW)	Date of Execution	Term (Years)	Commission's Approval
National Power Corporation/Power Sector Assets and Liabilities Management Corporation (NPC/PSALM)	52.262	1/13/2013	4	Provisional Authority pursuant to Order dated June 3, 2013 in ERC Case No. 2013-055 RC
Mapalad Power Corporation (MAPALAD)	30	2/21/2013	3	Provisional Authority pursuant to Order dated May 6, 2013 in ERC Case No. 2013-058 RC
Therma Marine, Inc. (TMI)	30	6/3/2011	3	Decision dated November 26, 2012 in ERC Case No. 2011-057 RC
SoEnergy International, Philippines, Inc. (SOENERGY)	15	5/28/2013	2	Decision dated March 17, 2014 in ERC Case No. 2013-174 RC
Sarangani Energy Corp. (SEC)	70	2/24/2010	25	Decision dated July 30, 2012 in ERC Case No. 2011-138 RC

6. Majority of its supply contracts with generation companies (GENCOs) are short-term including its contract with TMI, which is about to expire;
7. Its energy requirement is expected to significantly increase in the next few years as demonstrated by its Actual and Forecasted Load Data and Supply-Demand Profile, copies of which are attached in the instant application and were made as an integral part thereof;
8. There is a need for it to execute long term power supply contracts with GENCOs to replace its power supply contracts that are about to expire to ensure an adequate and stable power supply in its franchise area;
9. In 2012, TSI conducted a series of road shows to market the capacities of its coal-fire powered plant (Power Plant) to be constructed on a site straddling the boundary of Davao City and the Municipality of Sta. Cruz, Davao del Sur for bilateral agreements with electric cooperatives (ECs) in Mindanao, during which TSI declared that it can make available to interested DUs and ECs the 300 MW capacity of its Power Plant. Copies of TSI's Certificate of Registration, Articles of Incorporation, its latest General Information Sheet, latest audited financial statements and Board of Investments Certificates of Registration for its Power Plant are attached in the instant application and made as an integral part thereof;
10. Sometime after the road shows, it commenced negotiations with TSI for the execution of their ESA;
11. On September 27, 2013, it signed and executed with TSI the ESA, subject of the instant application. A Copy of the Board Resolution attesting to its authority and its authorized representative to enter into the ESA with TSI is attached in the instant application and made as an integral part thereof;
12. It signed the ESA with TSI taking into consideration the following factors: a) TSI's Power Plant is the only coal powered plant that will commence commercial operation on 2015; b) Power to be purchased in relatively cheaper than from TMI; and c) It will have an additional energy supply to enable it to meet its increasing power demand in the light of the existence of a region-wide power supply deficiency in Mindanao;

**ABSTRACT OF THE ENERGY SUPPLY AGREEMENT (ESA)  
AND OTHER RELEVANT INFORMATION**

13. In order to supply it with power, TSI shall construct, own, operate, manage and maintain the Power Plant. The Power Plant's Commercial Operation Date (COD) is expected to be in 2015;
14. **Executive Summary:** The Contract Capacity to be made available by TSI is fixed on a monthly basis equivalent to five thousand kilowatts (5,000 kW) and to be delivered in accordance with the Schedule of Contract Energy which is fixed on a daily and hourly basis. TSI shall exert best efforts to source replacement or alternative supply replacement power during scheduled and unscheduled outages to supply all or part of the Contract Energy.

On the other hand, when it is unable to take the Contract Energy or a portion thereof for reasons other than force majeure and there is no Wholesale Electricity Spot Market (WESM) in Mindanao, it may request TSI to make available to third parties all or a portion of the Available Contract Energy, at intervals it specified, subject to payment of a Marketing Fee of PhP0.02/kWh of the Available Contract Energy and the corresponding reduction to its Contract Capacity;

15. **Salient Features:** Its ESA with TSI contains the following salient terms and conditions:
  - A. **Term:** The ESA has a term or contract period commencing from the Effective Date until twenty-five (25) years after the Operations Effective Date. The Operation Effective Date refers to the commencement date of TSI's obligation to deliver and for it to purchase the Contract Capacity and Contract Energy, provided the following conditions are satisfied: (a) Commercial Operation Date has occurred; (b) TSI's receipt of its Security Deposit as required by Article 9.2.1 of the ESA; (c) TSI's receipt of the Commission's Final Approval of the ESA, subject of the instant application, provided that it is not later than one (1) year after the Effective Date; (d) TSI's receipt of its full payment for the Commissioning Energy Charge due and payable as of the Operations Effective Date; (e) Its accession to the applicable dispatch protocol or

procedure implemented between the Systems Operator and TSI; and (f) Its true and correct representation and warranties in all material respects on and as of the Operations Effective Date;

- B. **Contract Energy:** TSI shall make available and it shall receive the Contract Energy at Delivery Point as specified under the ESA. On the other hand, to make available for delivery, Contract Energy shall be based on the Schedule of Contract Energy attached to the ESA. A copy of the Schedule of Contract Energy is attached in the instant application and made as an integral part thereof;
- C. The Contract Capacity and/or Contract Energy in respect of a particular Billing Period may be adjusted either by: (a) TSI's submission of an offer to it to increase the same, subject to its acceptance or refusal; or (b) its request for an increase of Contract Capacity and/or Contract Energy, subject to TSI's approval. In both instances, TSI or it, as the case may be, must send a written notice thirty (30) days before the date of the intended increase is to take effect;
- D. At any time during the Contract Period, it may also send a written request to TSI to increase its Contract Capacity and/or Contract Energy, no later than sixty (60) days prior to the effectivity of the proposed increase, subject TSI's approval and its payment of the Contract Price;
- E. Any proposed adjustments (increase/decrease) to the Contract Capacity and/or Contract Energy which is intended to apply to the succeeding contract year shall be sent in writing to TSI no later than sixty (60) days prior to each anniversary of the Operations Effective Date, subject to TSI's approval. In case of an increase, the additional Contract Capacity and Contract Energy shall be paid by it at the Contract Price, while a decrease shall cause it to compensate TSI in the amount of the Buy-Out Charge, computed as follows:

$$BOC = \sum_{r=1}^{RCP} \left\{ \frac{\left[ \left( 0.47 * CRF * \frac{FX_{CRF}}{FX_0} \right) + (0.53 * CRF) \right] * (CC - RCC)}{\left( 1 + \frac{8.75\%}{12} \right)^r} \right\}$$

Where:

CC = Contract Capacity in kW as indicated in Table 1 of the Schedule

RCC = Reduced Contract Capacity in kWh

CRF = Capital Recovery Fee in PhP/kW-month as indicated in Table 1 of the Schedule

FX<sub>0</sub> = The base PhP/USD exchange rate as indicated in Table 1 of the Schedule

FX<sub>CRF</sub> = The weighted average PhP/USD exchange rate over the construction period as calculated in accordance with Table 2 of the Schedule

If no agreement in writing is reached in the anniversary of the Operations Effective Date, the prevailing Contract Capacity and/or Energy shall continue to apply;

**F. Stages of Supply:** TSI shall supply it with power in various stages, these are:

a) During the period of testing and commissioning of Unit Two (2) of the Power Plant, it shall purchase the proportionate net electrical output generated by the Power Plant subject to its payment of the Commissioning Energy Charge as provided in Schedule 7.1 of the ESA. It may also request for additional quantities subject to the approval of TSI;

b) In the event that TSI is ready to deliver capacity and energy prior to the Target Commercial Operation Date, TSI shall have the option to: i) offer an early commencement of the Contract Capacity and Contract Energy; or ii) sell the electrical output to third parties until the Target Commercial Operation Date;

c) Beginning on the Operations Effective Date, TSI shall supply and deliver the Contract Capacity and Contract Energy (whether from the capacity of the Power Plant or power plants owned or operated by any of its affiliates, WESM, if any, or any other suppliers) to it

during the Billing Periods specified in the Contract Energy Schedule;

**G. Share in the Minimum Load Requirement:** In all intervals provided under the ESA, it shall nominate no less than the Share in Minimum Load Requirement of two thousand (2,000) kW, subject to the conditions under the ESA in case the aggregate nominated energy of all customers of TSI is less than the Minimum Load Requirement due to force majeure event affecting one or more customers;

**H. Contract Price:** It shall pay the Contract Price consisting of variables and fixed charges, subject to annual adjustments. The Contract Price to be paid will depend on whether the power is delivered on or before the Commercial Operation Date. The formula for computing these Monthly Electricity Fees are computed under the ESA as follows:

**i. Beginning on Commercial Operation Date:**

**Monthly Electricity Fees**

= Fixed Fees<sub>month</sub> + Variable Fees<sub>month</sub>  
+ Back up Power Charges  
+ Replacement Power Charges + Start up Charges  
+ Other Taxes and Charges

All computations on payments to Supplier shall not be rounded off, except for the final PhP amount, which shall be rounded off to the nearest Philippine Centavo. The Monthly Electricity Fees shall be subject to the applicable Value-Added Tax (VAT):

$$\begin{aligned}\text{Fixed Fees}_{\text{month}} &= \text{CRF}_{\text{month}} + \text{FOM}_{\text{month}} \\ \text{Variable Fees}_{\text{month}} &= \text{VOM}_{\text{month}} + \text{Fuel}_{\text{month}}\end{aligned}$$

**i.a. Capital Recovery Fee (CRF<sub>month</sub>)**

The Customer shall pay the Supplier the Monthly CRF<sub>month</sub> for the current Billing Period in accordance with the following formula:

$$\text{CRF}_{\text{month}} = \left\{ \text{CC} * \left[ \left( 0.47 * \text{CRF} * \frac{\text{FX}_{\text{CRF}}}{\text{FX}_0} \right) + (0.53 * \text{CRF}) \right] \right\} * \text{Adj}$$

Where:

CC = Contract Capacity in kW as indicated in Table 1 of the Schedule

CRF = Capital Recovery Fee in PhP/kW-month as indicated in Table 1 of the Schedule

FX<sub>0</sub> = The base PhP/USD exchange rate as indicated in Table 1 of the Schedule

FX<sub>CRF</sub> = The weighted average PhP/USD exchange rate over the construction period as calculated in accordance with Table 2 of the Schedule

Adj = Availability adjustment in accordance with the following formula:

$$\text{Adj} = \frac{\sum_{j=1}^n \sum_{i=1}^{\text{Int}} \text{ACC}_{ij}}{(\text{CC} * \text{Int} * n)}$$

ACC<sub>ij</sub> = Available CC for interval *i* and day *j*, where *n* is the number of days per Billing Period and *Int* is the number of Intervals per day

**i.b. Monthly Fixed Operations and Maintenance Fees (FOM<sub>month</sub>)**

The Customer shall pay the supplier the FOM<sub>month</sub> for the current Billing Period in accordance with the following formula:

$$\text{FOM}_{\text{month}} = \left[ \left( 0.25 * \text{FOM} * \text{CC} * \frac{\text{USCPI}_m}{\text{USCPI}_0} * \frac{\text{FX}_m}{\text{FX}_0} \right) + \left( 0.75 * \text{FOM} * \text{CC} * \frac{\text{RPCPI}_m}{\text{RPCPI}_0} \right) \right] * \text{Adj}$$

Where:

CC = Contract Capacity in kW as indicated in Table 1 of the Schedule

FOM = Fixed Operations and Maintenance Fee in PhP/kWh-month as indicated in Table 1 of the Schedule



$FX_0$  = The base PhP/USD exchange rate as indicated in Table 1 of the Schedule

$USCPI_0$  = The base US Consumer Price Index (Base Year = 1982-84) – All items as indicated in Table 1 of the Schedule

$RPCPI_0$  = The base Philippine Price Index for all income households in the Philippines – All items (2006=100) as indicated in Table 1 of the Schedule

$FX_m$  = The PhP/USD exchange rate as published in the Bangko Sentral ng Pilipinas (BSP) website on the 25<sup>th</sup> day of the calendar month, provided that if such day falls on a non-business day, the exchange rate on the immediately preceding day shall be used

$USCPI_m$  = The US Consumer Price Index (Base Year = 1982 – 84) – All items published as of the current Billing Period for which the invoice is being prepared

$RPCPI_m$  = The Philippine Consumer Price Index for all income households in the Philippines – All items (2006=100) published as of the current Billing Period for which the invoice is being prepared

Adj = Availability adjust in accordance with the following formula:

$$Adj = \frac{\sum_{j=1}^n \sum_{i=1}^{Int} ACC_{ij}}{(CC * Int * n)}$$

$ACC_{ij}$  = Available CC for interval  $i$  and day  $j$ , where  $n$  is the number of days per Billing Period and  $Int$  is the number of interval per day

**i.c. Monthly Variable Operations and Maintenance Fees ( $VOM_{\text{month}}$ )**

The Customer shall pay the Supplier the  $VOM_{\text{month}}$  for the current Billing Period in accordance with the following formula:

$$VOM_{\text{month}} = \left[ \left( 0.25 * VOM * \frac{USCPI_m}{USCPI_o} * \frac{FX_m}{FX_o} \right) + \left( 0.75 * VOM * \frac{RPCPI_m}{RPCPI_o} \right) \right] * TED$$

Where:

$VOM$  = Variable Operation and Maintenance Fee in PhP/kWh as indicated in Table 1 of the Schedule

$FX_o$  = The base PhP/USD exchange rate as indicated in Table 1 of the Schedule

$USCPI_o$  = The base US Consumer Price Index (Base Year = 1982-84) – All items as indicated in Table 1 of the Schedule

$RPCPI_o$  = The base Philippine Price Index for all income households in the Philippines – All items (2006=100) as indicated in Table 1 of the Schedule

$FX_m$  = The PhP/USD exchange rate as published in the Bangko Sentral ng Pilipinas (BSP) website on the 25<sup>th</sup> day of the calendar month, provided that if such day falls on a non-business day, the exchange rate on the immediately preceding day shall be used

$USCPI_m$  = The US Consumer Price Index (Base Year = 1982 – 84) – All items published as of the current Billing Period for which the invoice is being prepared

$RPCPI_m$  = The Philippine Consumer Price Index for all income households in the Philippines – All items (2006=100) published as of the current Billing

Period for which the invoice is being prepared

TED = Total Energy Delivered to the Customer by the Supplier in kWh during the current Billing Period

**i.d. Monthly Fuel Fees (FUEL<sub>month</sub>)**

The Customer shall pay the Supplier (FUEL<sub>month</sub>) for the current Billing Period in accordance with the following formula:

$$\mathbf{Fuel_{month}} = \left\{ \left[ \frac{(\text{Fuel Costs} + \text{Freight Costs})}{1,000} \right] * CR * FX_m \right\} * TED$$

Where:

$$\text{Fuel Cost} = N_m * \frac{ACV}{6,000 \text{ kcal/kg}}$$

ACV = Average Calorific Value, net as received, of coal in kcal/kg used in the current Billing Period

Freight Cost = Actual transport cost in USD/MT which include, but not limited to port charges, fuel, insurance, wharfage fees, excise tax, handling, customs brokerage fees, custom duties, stevedores and arrastre costs, tuggage costs, survey fee, towage, pilotage, light dues, mooring and unmooring, berthing and deberthing, and tonnage duties and sundries on the coal used during the current Billing Period. Freight costs shall include all other existing and future taxes, fees, imposts and other charges that may be imposed on the transport of coal

FX<sub>m</sub> = The PhP/USD exchange rate as published in the Bangko Sentral ng Pilipinas (BSP) website on the 25<sup>th</sup> day

of the calendar month, provided that if such day falls on a non-business day, the exchange rate on the immediately preceding day shall be used

$N_m$  = The average Newcastle Index (USD/MT) one (1) month prior to the Billing Period for which the Invoice is being prepared, as posted by globalCOAL on the website ([www.globalcoal.com](http://www.globalcoal.com)) or its successor or, if globalCOAL ceases to report the Newcastle Index, an agreed upon replacement source that reports the Newcastle Index shall be adopted by the Parties

CR = consumption rate at 0.7 kg/kWh, escalated at one percent (1%) annually

TED = Total Energy Delivered to the Customer by the Supplier in kWh during the current Billing Period

#### **i.e. Backup Power Charges**

The actual costs in PhP for securing Back-up Power including all incidental costs, fees and taxes attendant to the purchase of Back-up Power by Supplier;

#### **i.f. Replacement Power Charges**

The actual costs in PhP for securing Replacement Power including all incidental costs, fees and taxes attendant to the purchase of Replacement Power by the Supplier;

#### **i.g. Start Up Charges**

The cost for starting up each unit of the Power Plant after a period of shutdown due to Scheduled or Unscheduled Outages attributable to the Supplier shall be for the account of the Supplier. On the other hand, the cost for starting up each unit of the Power Plant

after a period of shutdown due to any other reason shall be for the account of the Customer and shall be charged in accordance with the following formula:

**COLD START UP** (where plant downtime is beyond 8 hours)

**Unit 1**

$$\text{Start up Charges} = 92,400 \text{ liters} * DO_m * \frac{CC}{TCC}$$

**Unit 2**

$$\text{Start up Charges} = 92,400 \text{ liters} * DO_m * \frac{CC}{TCC}$$

**WARM START UP** (where plant star-up occurs after less than 8 hours of downtime)

**Unit 1**

$$\text{Start up Charges} = 41,250 \text{ liters} * DO_m * \frac{CC}{TCC}$$

**Unit 2**

$$\text{Start up Charges} = 41,250 \text{ liters} * DO_m * \frac{CC}{TCC}$$

Where:

$DO_m$  = the actual price of diesel oil in PhP/liter as billed by the supplier of diesel oil applicable for the Billing Period for which the Invoice is being prepared

$CC$  = Contract Capacity in kW as indicated in Table 1 of the Schedule

$TCC$  = Total contracted capacity in kW of the Supplier

In the event that revisions are made on the above indices, including any shift made in the base year and other adjustments to such index made by the relevant authorized entity, its successor-in-interest, there shall be a corresponding change in the base index such that

the use of the revised index will yield the equivalent values as the use of the original base index.

In the event that the index (a) becomes unavailable, (b) is replaced by a new benchmark rate as determined by the relevant authorized entity, its successor in interest, or (c) ceases to exist, or (d) in the reasonable determination of either Party, fails to reflect the real costs and forms an integral part of this price mechanism, the Parties shall agree to adopt a new price index;

#### **i.h. Taxes and Other Charges (TOC)**

Except for VAT, all existing and future taxes, any increase or adjustments on existing taxes, fees, imposts, including transmission charges and other charges imposed on the Power Plant shall be for the account of the Customer in accordance with Articles 11 and 14 of the ESA, which shall be computed based on the following formula:

$$\text{Other Taxes and Charges} = \text{Taxes and Other Charges} * \frac{CC}{TCC}$$

Where:

CC = Contract Capacity in kW as indicated in Table 1 of the Schedule

TCC = Total contracted capacity in kW of the Supplier

TOC = Except for VAT, all existing and future taxes, any increase or adjustments on existing taxes, fees, imposts, including transmission charges and other charges imposed on the Power Plant in PhP

With respect to VAT, any adjustment to the VAT rate shall be applied to the fees as specified in Schedule 7.1 of the ESA;

## ii. Before Commercial Operation Date

**Monthly Electricity Fee = Commissioning Charge + Other Taxes and Charges**

All computations on payments to the Supplier shall not be rounded off, except for the final PhP amount, which shall be rounded off to the nearest Philippine Centavo. The Monthly Electricity Fees (MEF) shall be subject to the applicable VAT;

### ii.a. Commissioning Charges

The Customer shall pay the Supplier the Commissioning Charges subject to the applicable VAT for electricity supplied during the period of testing and commissioning of the Power Plant in accordance with the following formula:

**Commissioning Charges =  $VOM_{\text{month}} + \text{Fuel}_{\text{month}}$**

Where:

$VOM_{\text{month}}$  = Computed in accordance with item A.III of the Schedule

$\text{Fuel}_{\text{month}}$  = Computed in accordance with item A.IV of the Schedule

### ii.b. Other Taxes and Charges (TOC)

Except for VAT, all existing and future taxes, any increase or adjustments on existing taxes, fees, imposts, including transmission charges and other charges imposed on the Power Plant shall be for the account of the Customer in accordance with Articles 11 and 14 of the ESA, which shall be computed based on the following formula:

**Other Taxes and Charges = Taxes & Charges (PhP) x TED/TGS**

Where:

**TED** = Total Energy Delivered to the Customer by

the Supplier in kWh during the current Billing Period

TGS = Total Generation Sold by the Supplier to all of its customers in kWh during the current Billing Period

TOC = except for VAT, all existing and future taxes, any increase or adjustments on existing taxes, fees, imposts, including transmission charges and other charges imposed on the Power Plant in PhP

With respect to VAT, any adjustment to the VAT Rate shall be applied to the fees specified in Schedule 7.1. of the ESA;

- I. The agreed amounts relevant to the computation of Contract Price are as follows:

Details	Unit	Amount
CC	kW	5,000.00
Minimum Load Requirement	kW	2,000.00
CRF	Php/kW-month	2,040.00
FOM	Php/kW-month	400.00
VOM	Php/kWh	0.2908
Fx <sub>0</sub>	Php/USD	42.00
USCPI <sub>0</sub>		226.23
RPCPI <sub>0</sub>		127.80

16. **Termination Fee:** In the event that the ESA is terminated by TSI on the grounds of: (a) Its failure to pay the Electricity Fee or any other amounts payable under the ESA; (b) Its failure to replenish its Security Deposit in full as provided in Article 9.2.3 of the ESA; (c) Its breach of any of the provisions of the ESA and its failure to cure the breach within a period of thirty (30) days from receipt of the notice of the breach; and (d) termination by TSI of the ESA upon the occurrence of any events of default under Article 17.2 of the ESA, it shall be liable to pay a termination fee computed using the following formula:

$$F = \sum_{r=1}^{RCP} \left\{ \frac{\left[ \left( 0.47 * CRF * \frac{FX_{CRF}}{FX_0} \right) + (0.53 * CRF) \right] * CC}{\left( 1 + \frac{8.75\%}{12} \right)^r} \right\}$$



Where:

- CC = Contract Capacity in kW as indicated in Table 1 of the Schedule
- CCRF = Capital Recovery Fee in Php/kW-month as indicated in Table 1 of the Schedule
- $FX_0$  = The base PhP/USD exchange rate as indicated in Table 1 of the Schedule
- $FX_{CRF}$  = The weighted average PhP/USD exchange rate over the construction period as calculated in accordance with Table 2 of the Schedule
- RCP = The number of Billing Periods in the remaining Contract Period

17. It submitted the following documents in support of the instant application:

Description of Document
TSI's Sources of Funds/Financial Plans
Summary of TSI's Project Cost
TSI's Environmental Compliance Certificate (ECC) No. 1107-0010
TSI's fuel procurement process
SOCOTECO II's procurement process
TSI Plant Description
Department of Energy (DOE) Certification for the Power Plant
Basis for purchased power
Cash Flow

18. **Certificate of Compliance (COC):** Pursuant to the Commission's Resolution No. 9, Series of 2010, TSI shall file the necessary application for a COC no later than three (3) months prior to the commencement of its commercial operations;

19. **Rate Implication:** An analysis was conducted to determine the impact of the implementation of the ESA to its generation costs. The table below shows the expected rate impact in the event that it procures power from TSI on the commencement of the Commercial Operation of the Power

Plant vis-à-vis its procurement from other power sources in Mindanao:

<b>Current Generation Mix w/o TSI (PhP)</b>	<b>Increase / (Decrease) (PhP/kWh)</b>	<b>Reduced NPC/PSALM +IPP with TSI (PhP/kWh)</b>
<b>4.31*</b>	<b>(0.11)</b>	<b>4.20</b>

\*Blended rate for the period of May to August 2013 (NPC/PSALM, TMI and MAPALAD);

### **Allegation in Support of the Motion for Confidential Treatment of Information**

20. Under Article 16 of the ESA, it undertook to ensure that no Confidential Information of TSI is disclosed to third parties and it shall use utmost efforts to prevent any unauthorized disclosure thereof;
21. Under Rule 4 of the Commission's Rules of Practice and Procedure (RPP), the Commission may, upon request of a party and determination of the existence of conditions which would warrant such remedy, treat certain information submitted to it as confidential;
22. It attached in the instant application Annexes "K", "L", "N", "R" and "S". The Annexes contain certain non-public information, data and calculations involving business operations and financial trade secrets reflecting TSI's investment and business calculations;
23. It submitted one (1) copy of Annexes "K", "L", "N", "R" and "S" in a sealed envelope, with the envelope and each page of the document stamped with the word "Confidential"; and

### **P R A Y E R**

24. It prays that its ESA, dated September 27, 2011, with TSI be approved and that an Order be issued: (a) Treating Annexes "K", "L", "N", "R" and "S" and the information contained therein as confidential; (b) Directing their non-disclosure pursuant to Rule 4 of the Commission's Rules; and (c) Prescribing the guidelines for the protection thereof.

On June 11, 2014, TSI filed a "Motion to be Admitted as Party Co-Applicant with Entry of Appearance" praying, among others, for its inclusion as joint applicant in the instant proceeding.

In the said motion, TSI alleged, among others, that:

1. It is a generation company duly organized and existing under the laws of the Republic of the Philippines with principal office address at Brgy. Binugao, Toril Davao City;
2. It is the owner and developer of the 300 MW coal fired power generation facility, subject of the instant application, to be constructed on a site straddling the boundary of Davao City and the Municipality of Sta. Cruz, Davao del Sur;
3. It is a party to the ESA and has a material, direct and substantial interest in the subject matter and evaluation of the instant application;
4. It is in the position to supply pertinent information and evidence which may be required by the Commission particularly on matters relating to its rate charges under the ESA; and
5. Its participation in the proceeding will not unduly broaden the issues involved nor hinder or delay the Commission's resolution in the instant application.

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **August 20, 2014 (Wednesday) at two o' clock in the afternoon (2:00 P.M.) at the SOCOTECO II's Principal Office, J. Catolico, Sr. Avenue, Lagao, General Santos City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and the title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's

interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicants conclude the presentation of their evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicants, prior to the date of the initial hearing, that they be furnished with copy of the application. The applicants are hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 14<sup>th</sup> day of July 2014 at Pasig City

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III

  
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